

University of Mississippi

eGrove

Guides, Handbooks and Manuals

American Institute of Certified Public
Accountants (AICPA) Historical Collection

2001

Performance Measurement practices: survey results

American Institute of Certified Public Accountants

Lawrence S. Maisel

Follow this and additional works at: https://egrove.olemiss.edu/aicpa_guides



Part of the [Accounting Commons](#), and the [Taxation Commons](#)

Recommended Citation

American Institute of Certified Public Accountants and Maisel, Lawrence S., "Performance Measurement practices: survey results" (2001). *Guides, Handbooks and Manuals*. 550.

https://egrove.olemiss.edu/aicpa_guides/550

This Book is brought to you for free and open access by the American Institute of Certified Public Accountants (AICPA) Historical Collection at eGrove. It has been accepted for inclusion in Guides, Handbooks and Manuals by an authorized administrator of eGrove. For more information, please contact egrove@olemiss.edu.

PERFORMANCE MEASUREMENT PRACTICES SURVEY RESULTS

by

American Institute of Certified Public Accountants, Inc.
and Lawrence S. Maisel

EXECUTIVE SUMMARY

If you need to create, modify, or enhance a performance measurement system, read the results of this survey to become knowledgeable about what other companies are doing. If you already have a good performance measurement system in place, read the results of this survey to make improvements. For ease of access to survey results, links to major findings are located in both the Summary of Findings update and the Table of Contents.

Copyright © 2001 American Institute of Certified Public Accountants, Inc., and
Lawrence S. Maisel

All rights reserved. For information about the procedure for requesting permission to make copies of any part of this work, please call the AICPA Copyright Permissions Hotline and 201-938-3245. A Permissions Request Form for emailing requests is available at www.aicpa.org by clicking on the copyright notice on any page. Otherwise, requests should be written and mailed to the Permissions Department, AICPA, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311-3881.

The Survey

The research team that designed and conducted the survey include:

Lawrence S. Maisel, CPA	Project Director
Marianne Evashenk, CPA	Sjoberg Evashenk Consulting
Gary Lubin, CPA	Merck-Medco
Eileen Morrissey, CPA	Honeywell, Inc.
Hadassah Baum, CPA, CMA	AICPA, Technical Mgr – The New Finance
Roslyn Kessler, CPA, CMA, CIA, CFM	AICPA, Technical Mgr – The New Finance
Olivia Lane	AICPA, Acquisitions Editor
John F. Morrow, CPA	AICPA, Vice President - The New Finance

Information and data presented was collected via a Web-based survey tool by Perseus Development Corporation - <http://www.perseus.com/>. AICPA members in business and industry (MBI) were invited to participate in the survey through various means of communication, including print publications and e-mail invitations. In addition, AICPA MBI were encouraged to ask their nonaccountant colleagues to also participate in the survey to gain some insights on performance measurement systems across functional lines. Total number of respondents were 1,990 (4.5 percent response rate), of which 74 percent are employed in accounting and finance roles in their companies. The remaining 26 percent work in a variety of functions including general management (10.3 percent), operations (2.5 percent), information technology (1.8 percent) and tax (1.5 percent).

About the AICPA

The American Institute of CPAs is the national, professional organization for CPAs, with more than 340,000 members in business and industry, public practice, government, and education. It sets U.S. auditing and professional ethics standards and, with the Financial Accounting Standards Board, U.S. accounting standards. The AICPA is the first national, professional association to be ISO 9001 certified, in recognition of its quality management and assurance practices.

The AICPA is committed to global preeminence in enabling its members to provide value-added services that optimize clients', employers', and other users' decision-making effectiveness, ever mindful of the profession's covenant to serve the public interest with integrity and objectivity.

About Lawrence S. Maisel

Lawrence S. Maisel is founder of Maisel Consulting Group and has recently joined the Balanced Scorecard Collaborative (**BSCol**) as a principal. He is a CPA and holds a BA in economics from New York University and an MBA in corporate financial management from Pace University.

Before joining BSCol, Larry Maisel was a senior executive with Nextera Enterprises and national partner in charge of KPMG's Strategy and Financial Management Consulting Practice, and he has held management positions, including CEO and CFO. He is an adjunct professor at Columbia's Graduate Business School, teaching strategy management, and is a guest lecturer at Northwestern University's J. L. Kellogg Graduate School of Management. Readers are encouraged to share thoughts or comments by e-mailing him at Lmaisel@bscol.com.

Acknowledgments

The research team extends its gratitude to the business professionals who responded to the survey.

Table of Contents

<u>The Survey</u>	2
<u>About the AICPA</u>	2
<u>About Lawrence S. Maisel</u>	2
<u>Acknowledgments</u>	3
<u>Table of Contents</u>	4
<u>Index of Figures</u>	6
<u>Index of Tables</u>	6
<u>Introduction</u>	7
<u>Summary of Findings</u>	8
<u>Detailed Findings</u>	10
<u>Functional Responsibility</u>	10
<u>Industry Groups</u>	10
<u>Size</u>	11
<u>Geographic Scope</u>	11
<u>Business Structure</u>	11
<u>Management Style</u>	11
<u>Section I. Describe your Performance Measurement System</u>	12
<u>Question 7 Definition of a Performance Measurement System N=1,990</u>	12
<u>Question 8 What best describes how your company uses its Performance Measurement System? N=1,990</u>	12
<u>Section II. Using Performance Measures</u>	13
<u>Question 9 Which type(s) of financial performance measures do you primarily use to measure Enterprise performance? N=1,925</u>	13
<u>Question 10 Which type(s) of non-financial performance measures do you primarily use to measure Enterprise performance? N=1,883</u>	14
<u>Question 11 Are all types of performance measures (that is, financial and non-financial) given the same relative importance? N=1,990</u>	15
<u>Question 12 If no, which types are given higher importance? N=972</u>	15
<u>Question 13 Are Business Units encouraged to develop their performance measures? N=1,893</u>	16
<u>Section III. Managing the Performance Measurement System</u>	16
<u>Question 14 Which functional area is responsible for managing the company's Performance Measurement System? N=1,912</u>	16
<u>Question 15 What circumstances would cause the company to consider revising performance measures? N=1,815-1,891</u>	17
<u>Question 16 What process could the company use to revise performance measures? N=1,067</u>	17
<u>Question 17 When was the current Performance Measurement System implemented or last revised? N=1,644</u>	17
<u>Question 18 What were the major challenges and barriers in creating/revising the Performance Measurement System? N=1,307</u>	18
<u>Question 19 Are you planning to revise your Performance Measurement System? N=1,990</u>	18

Performance Measurement Survey

<u>Question 20</u>	<u>Overall how would you rate the effectiveness of your company's Performance Measurement System? N=1,876</u>	19
<u>Question 21</u>	<u>What would you suggest to improve its effectiveness? N=805</u>	19
Section IV.	<u>Describe How the Performance Measurement System is Used</u>	20
<u>Question 22</u>	<u>To what extent does the Performance Measurement System have a "cause and effect" relationship on?</u>	20
<u>Question 23</u>	<u>To what extent has the Performance Measurement System impacted the following?</u>	20
<u>Question 24</u>	<u>To what extent has the Performance Measurement System impacted the following?</u>	21
<u>Question 25</u>	<u>How often are performance measures reported? N= 1,851</u>	21
<u>Question 26</u>	<u>What are the top three benefits resulting from the Performance Measurement System?</u>	21
Section V.	<u>Performance Measurement System and the Internet</u>	22
<u>Question 27</u>	<u>How will the Internet impact the company's Performance Measurement System? N=1,840</u>	22
<u>Question 28</u>	<u>Does your Company utilize e-business/e-commerce? N=1,847</u>	23
<u>Question 29</u>	<u>What does your company measure about its e-business/e-commerce?</u>	24
Section VI.	<u>Performance Measurement System and the Finance Organization</u>	24
<u>Question 30</u>	<u>Does Finance serve as Business Partner to the company? N=1,833</u>	24
<u>Question 31</u>	<u>How would you assess Finance's role as "Business Partner" in the following areas? N=1,990</u>	25
<u>Question 32</u>	<u>List 3 most important characteristics that (would) contribute to Finance's role as an effective Business Partner</u>	25
<u>Question 33</u>	<u>Are any significant changes in Finance's role as a business partner anticipated over the next several years? N=740</u>	25
Section VII.	<u>Level of Effort Devoted by the Finance Organization</u>	26
<u>Question 34</u>	<u>Estimate the % of effort devoted to performance measurement by finance professionals. N=1,815</u>	26
<u>Question 35 and Question 36--Finance Level of Effort Questions</u>	<u>N=1,771</u>	27
Section VIII.	<u>Performance Measurement Tools and Systems</u>	27
<u>Question 37</u>	<u>What technologies/tools are used to facilitate the performance measurement process? N = 1,767</u>	27
<u>Questions 38</u>	<u>How useful are these tools for each task? N=1,990</u>	27
<u>Question 39</u>	<u>Are any technology changes anticipated over the next 12-18 months?</u>	28
<u>N = 1,767</u>	28
Section IX.	<u>Performance Measurement Systems Information and Techniques</u>	28
<u>Question 40</u>	<u>How would you rate the quality of information in the Performance Measurement System? N=1,808</u>	28
<u>Question 41</u>	<u>What techniques are utilized to capture performance information? N=1,440</u>	29
<u>Question 42</u>	<u>Are any major changes in these techniques anticipated over the next 12-18 months? N=1,590</u>	29

Index of Figures

<u>Figure 1 Performance Measurement Systems “Extensively Used” —by Size</u>	<u>13</u>
<u>Figure 2 Financial Performance Measures—by Size</u>	<u>14</u>
<u>Figure 3 The Functional Area Responsible for the Performance Measurement System ..</u>	<u>16</u>
<u>Figure 4 Circumstances That Would Cause the Company to Consider Revising</u> <u>Performance Measures</u>	<u>17</u>
<u>Figure 5 Organizational Barriers to Implementing or Revising Performance Measurement</u> <u>Systems.....</u>	<u>18</u>
<u>Figure 6 Effectiveness of Performance Measurement System.....</u>	<u>19</u>
<u>Figure 7 Suggestions to Improve the Effectiveness of the Performance Measurement</u> <u>System</u>	<u>19</u>
<u>Figure 8 Benefits Resulting from the Performance Measurement System</u>	<u>22</u>
<u>Figure 9 How will the Internet Impact the Company’s Performance Measurement System</u> <u>.....</u>	<u>23</u>
<u>Figure 10 Finance’s Role as “Business Partner”.....</u>	<u>25</u>
<u>Figure 11 Level of Effort Devoted to Performance Measurement.....</u>	<u>26</u>
<u>Figure 12 Technologies Used to Facilitate Performance Measurement</u>	<u>27</u>
<u>Figure 13 Quality of Information in the Performance Measurement System</u>	<u>28</u>

Index of Tables

<u>Table 1 Best Describes how a company uses a Performance Measurement System—</u> <u>Overall</u>	<u>12</u>
<u>Table 2 Non-Financial Performance Measures —by Size</u>	<u>14</u>
<u>Table 3 Respondents (N=972) Indicating Financial Measures given Higher Importance—</u> <u>by Size</u>	<u>15</u>
<u>Table 4 Utilization of E-Business– by Size</u>	<u>23</u>
<u>Table 5 What Companies Measure about the Internet– by Size</u>	<u>24</u>
<u>Table 6 Changes in Percentage Level of Effort</u>	<u>27</u>
<u>Table 7 Usefulness of Technologies/Tools for Selected Tasks.....</u>	<u>27</u>
<u>Table 8 Techniques Utilized to capture performance Information</u>	<u>29</u>

Introduction

The AICPA/Maisel Survey includes responses from 1,990 (N=1,990) financial professionals across the country. This represents a 4.5 percent response rate. The survey itself captured responses that combine both quantitative information and qualitative perspectives. In some questions, percentages do not always add to 100 percent, because respondents either could choose more than one response or did not answer a question.

Objectives for conducting this major research project is to help practitioners and others—

- Understand not only how performance measurement systems are used in business, but also why they are used and what characteristics they must possess to be effective and beneficial.
- Determine the extent to which performance measurement practices are perceived as having a “cause and effect” relationship on performance of stakeholders, such as customers, employees, stockholders, and regulatory agencies.
- Determine the extent to which companies use performance measurement practices and systems.

Summary of Findings

Performance Measurement Systems and Practices

The survey results suggest that companies view their performance measurement system more as tools to *report* business results and provide feedback on operations and individual performances than as tools to execute strategies and drive longer-term competitive advantage and sustainable shareholder values.

Enterprises primarily use revenues/sales and net operating income as financial measures of business performance, and Customer Service/Satisfaction and Productivity as non-financial measures of business performance. Financial measures are given higher importance (see [question 9](#)).

The finance function is usually responsible for managing the company's performance measurement system (see [question 14](#)). A decrease in profitability is the number one reason to revise performance measures (see [figure 4](#)). Companies use a variety of processes to revise the performance measurement system, including a top-down approach and a change in strategic direction.

Survey results indicate that only 35 percent of respondents rate their company's performance measurement system as effective or very effective, 43 percent as adequate, and 23 percent as poor or not effective. Among the larger and largest companies there is a higher level of effectiveness than among small and medium enterprises. Companies with either a collaborative or entrepreneurial culture were more satisfied with the effectiveness of their performance measurement system than companies whose culture is command and control (see [figure 6](#)).

The performance measurement system has an important impact on compensation and reward that is directly related to size, that is, the larger the company, the more the performance measurement system impacts compensation (see [question 22](#)).

Performance Measures

The competitive and structural characteristics of an industry likely influence the selection and use of financial performance measures. Thus the more capital intensive the business, the more likely the selection and use of return on capital and return on shareholders' equity; customer-centric and product-centric businesses are more likely to select revenues, growth, and profitability as primary measures.

Customer Service/Satisfaction are the most frequently used non-financial measures. In contrast, non-financial measures for demographics and suppliers are infrequently used (see [question 10](#)).

A majority of companies indicated that the Internet would have at least some effect on the performance measurement system with Usage/Visits and New Customers as the most

frequently cited performance measures used by companies to measure e-business/e-commerce (see [question 27](#)).

Benefits and Concerns

The most frequently identified barriers or challenges to implementing or revising the performance measurement system are agreeing on the measures, buy-in by employees and managers, leadership support, and education and training (see [figure 5](#)).

The most frequently cited areas for improving performance measurement systems are: broader measures with consistent definitions; better linkage and alignment to budgets, rewards, and strategy; better information quality, communication, and support; and better systems and tools (see [figure 7](#)).

The most frequently identified benefits associated with performance measurement systems are: motivation, accountability and reward; budgeting, cash flow and reporting; quality and productivity; trend analysis; and planning and feedback (see [figure 8](#)).

Performance Measurement and the Role of Finance

The finance organization plays a relatively greater role in analyzing business results than in building tools and methodologies to assist operating managers (see [question 31](#)).

The most important characteristics that contribute to finance's role as an effective business partner are functional expertise, broad business perspective, strategic and critical thinking skills, leadership, timeliness, and communication skills (see [question 32](#)).

Over the next several years, many respondents see the level of effort devoted to performance measurement by finance professionals as significantly increasing, and very few see a decrease in the level of effort devoted to performance measurement (see [question 33](#)).

Performance Measurement Information and Techniques

Among respondents, balanced scorecards were frequently cited (43 percent) as a technique used to capture performance measurement information. However, it could appear that companies mistakenly assume that having a key indicator scorecard is the same as having a "Balanced Scorecard." Regardless of measures selected, the criteria for a successful Balanced Scorecard, at least as viewed from the Kaplan/Norton perspective, is that the scorecard tells the story of the strategy with cause and effect relationships between the performance measures and the strategic outcomes. Only then is it a reliable framework to build a management system (see [table 8](#)).

Almost all respondents use specialized tools, for example, Executive Information Systems (EIS) or Decision Support Systems (DSS), to facilitate the performance measurement process (see [question 37](#)). Over the next 12 to 18 months, many respondents anticipate that there will be technology changes to their performance measurement systems (see [question 39](#)). Most do not anticipate any major changes in techniques used to capture performance information during this same period (see [question 42](#)).

Detailed Findings

Functional Responsibility

Function	N = 1,917	Percent
Finance	1,380	69.3%
General management	206	10.4%
Other	67	3.4%
Auditing	55	2.8%
Operations	50	2.5%
Information technology	36	1.8%
Tax	30	1.5%
Sales & marketing	22	1.1%
Consulting	13	0.7%
Accounting	12	0.6%
Multifunctional	12	0.6%
Customer services	10	0.5%
Human resources	10	0.5%
Product development	9	0.5%
Engineering or purchasing	5	0.3%

Industry Groups

Industries were classified based on the Dow Jones Global Industry Groups published in the *Wall Street Journal*.

Sectors	N = 1,910	Percent
Financial	336	17.6%
Industrial	318	16.6%
Consumer, cyclical	263	13.8%
Energy/utilities	171	9.0%
Health care	152	8.0%
Technology/Internet	143	7.5%
Professional services	126	6.6%
Other	102	5.3%
Telecommunications	87	4.6%
Not-for-profit organization	81	4.2%
Consumer, noncyclical	44	2.3%
Basic materials	43	2.3%
Manufacturing	40	2.1%
Distribution/wholesale	4	0.2%

Size

The numbers of people employed by respondents' business unit—

250 or less:	42.70%
251-500:	12.60%
501-1,000:	10.60%
1,001-2,000:	8.20%
2,001-5,000:	9.10%
Over 5,000:	16.80%

Annual sales or revenues for the respondents' business unit —

Companies hereafter referred to as:	
SMEs (small and medium enterprises)	0M-\$20M: 27.30%
SMEs (small and medium enterprises)	\$20M-\$50: 14.30%
SMEs (small and medium enterprises)	\$50M-\$100M: 12.00%
Large	\$100M-\$500M: 18.00%
Large	\$500M-\$1.0B: 7.80%
Largest	\$1.0B-\$10.0B: 15.60%
Largest	Over \$10.0B: 5.00%

Geographic Scope

Respondents represent a broad geographic scope classified as—

Regional	32.90%
National	21.00%
Some International	23.10%
Global	23.00%

Business Structure

Multi-division	44%
Stand-alone	28%
Multi-branch office	18%
Multi-plant	10%

Management Style

Collaborative	54.20%
Entrepreneurial	32.50%
Command and control	31.10%
Consensus	18.40%
Compliance	16.90%

Section I. Describe your Performance Measurement System

Question 7 Definition of a Performance Measurement System N=1,990

“A Performance Measurement System enables an enterprise to plan, measure, and control its performance and helps ensure that sales and marketing initiatives, operating practices, information technology resources, business decision, and people’s activities are aligned with business strategies to achieve desired business results and create shareholder value.”

- 46.4 percent strongly agreed
- 34.1 percent somewhat agreed with this definition
- 15.5 percent disagreed

Question 8 What best describes how your company uses its Performance Measurement System? N=1,990

Table 1 Best Describes how a company uses a Performance Measurement System—Overall

Best Describes	Not Used	Little Used	Used	Often Used	Extensively Used	Average
Measure Business Results	3%	8%	24%	33%	29%	3.80
Manage Operations	3%	11%	32%	34%	16%	3.53
Determine Rewards and Recognition	5%	16%	30%	28%	18%	3.35
Evaluate Individual Performance	5%	15%	32%	28%	16%	3.23
Support Decision Making	4%	15%	32%	32%	12%	3.18
Communicate Management Directives	6%	16%	34%	29%	12%	3.16
Manage Strategy	5%	21%	35%	27%	9%	3.05
Manage Customer Relationship	7%	21%	30%	26%	12%	3.03
Manage Capital	9%	20%	32%	22%	13%	2.98
Communicate Values and Culture	9%	22%	30%	22%	12%	2.91
Manage Technology	10%	24%	33%	22%	7%	2.80
Manage Suppliers	18%	30%	30%	14%	4%	2.44

Table 1 illustrates findings as follows:

Averages range from a high of 3.80 for Measure Business Results to a low of 2.44 for Manage Suppliers where 5 = Extensively Used, 4 = Often Used, 3 = Used, 2 = Little Used and 1 = Not Used

Figure 1 Performance Measurement Systems “Extensively Used” —by Size

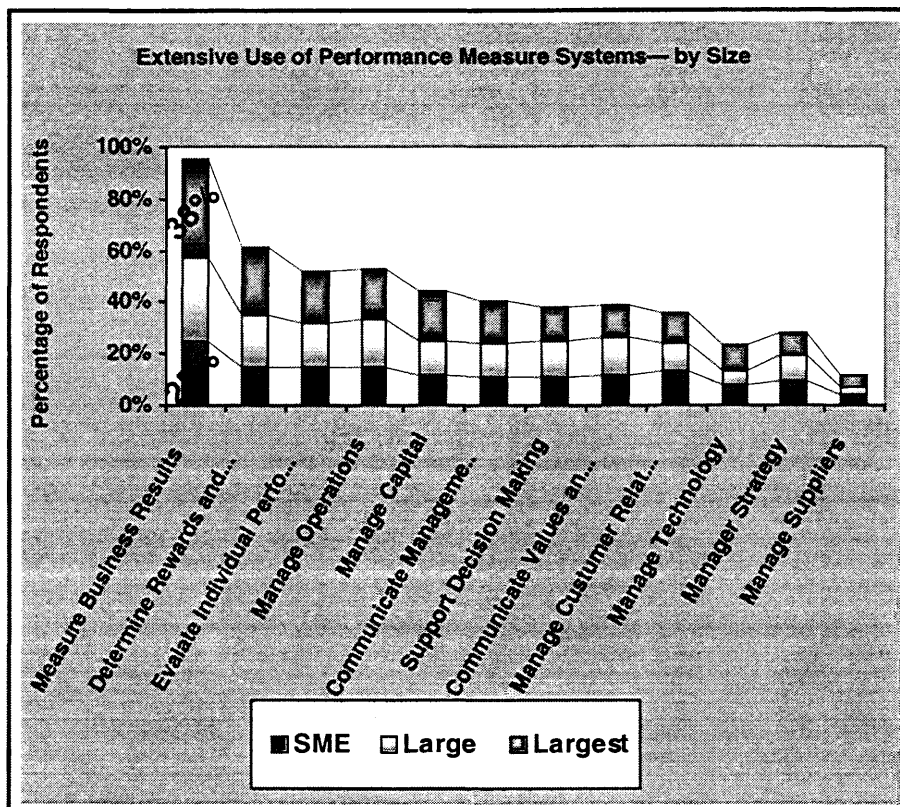


Figure 1 illustrates findings as follows:

- Respondents that indicated “extensively used” for each description in Table 1 are further analyzed by size in Figure 1.
- Extensive use of the performance measurement systems is positively associated with size for the most predominant uses. For example, 38 percent of the Largest companies “extensively used” their performance measurement systems to Measure Business Results compared to 25 percent for SMEs.

Section II. Using Performance Measures

Question 9 Which type(s) of financial performance measures do you primarily use to measure Enterprise performance? N=1,925

Revenues/Sales	63%	ROA/ ROI	32%
Net Operating Income	61%	Earning per Share	25%
Year-over-Year Growth	55%	EVA	12%
Gross Margin	52%		
Earnings before interest and taxes (EBIT)	51%		
Cash Flow	50%		

Figure 2 Financial Performance Measures—by Size

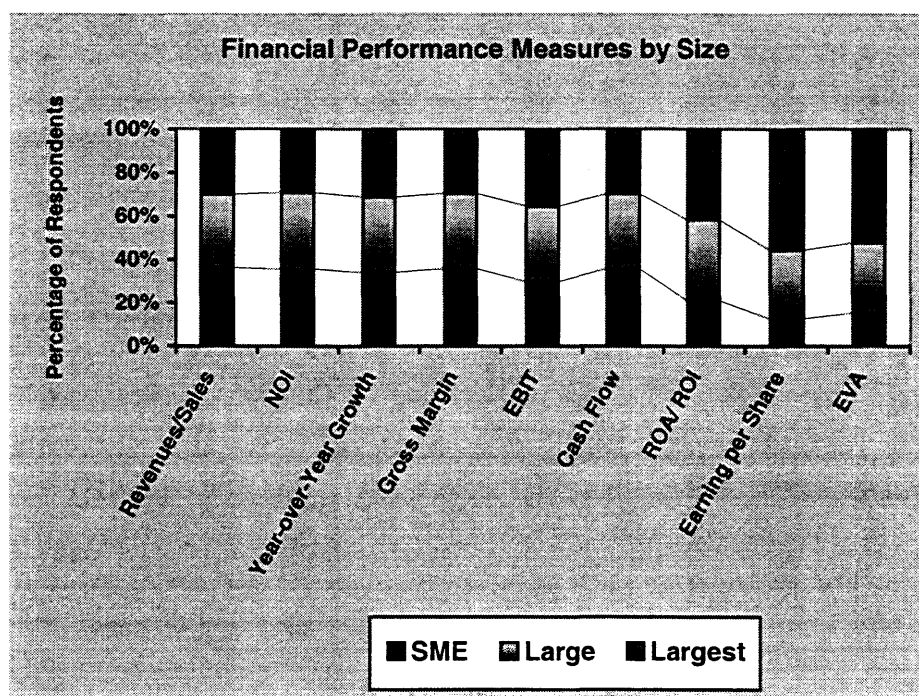


Figure 2 illustrates findings as follows:

- SMEs and Large enterprises prefer to use Revenue/Sales and Net Operating Income (NOI) compared to the Largest enterprises.
- The use of EVA, EPS, ROA/ROI and EBIT is positively related to size, that is, the larger the corporation the more likely these measures will be used.

Question 10 Which type(s) of non-financial performance measures do you primarily use to measure Enterprise performance? N=1,883

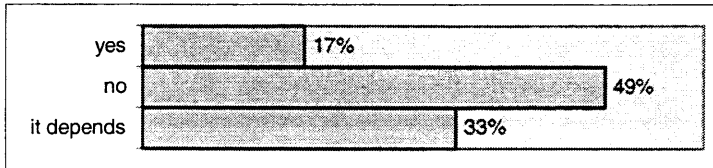
Table 2 Non-Financial Performance Measures —by Size

Non- Financial Measure	SME N= 1,008	Large N=487	Largest N=388	Overall N= 1,883
Customer services/ satisfaction	70%	72%	72%	70%
Productivity	46%	51%	47%	47%
Market share	33%	49%	60%	42%
Quality and Process related	38%	43%	45%	40%
Employee turnover	34%	36%	28%	33%
Regulatory/Compliance	24%	32%	39%	29%
Time/Speed/Agility	23%	21%	27%	23%
Innovation / New product development	21%	20%	30%	22%
Supplier	7%	11%	10%	9%
Demographics	9%	11%	9%	9%

Table 2 illustrates findings as follows:

- Overall, 70 percent use Customer Services measures.
- Overall, 47 percent use Productivity measures.
- The Largest enterprises are more likely to use market share and regulatory/compliance than Large enterprises and SMEs.

Question 11 *Are all types of performance measures (that is, financial and non-financial) given the same relative importance?* N=1,990



Question 12 *If no, which types are given higher importance?* N=972

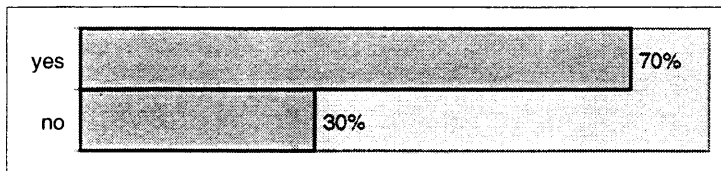
Table 3 Respondents (N=972) Indicating Financial Measures given Higher Importance—by Size

Size	SME N =470	Large N =269	Largest N=219	Total N =972
Financial	43%	57%	55%	49%
Revenues/Sales	16%	8%	8%	12%
EBIT	13%	13%	6%	11%
Net Operating Income	5%	6%	8%	6%
Cash Flow	7%	5%	4%	6%
Earning per Share	2%	6%	9%	5%
ROA/ ROI	4%	5%	6%	5%
Gross Margin	6%	3%	3%	5%
Year-over-Year Growth	3%	3%	3%	3%
Economic Valued Added	1%	2%	4%	2%

Table 3 illustrates findings as follows:

- Overall financial measures are given higher importance.
- Revenue is given relatively more importance for SMEs (16 percent) than for the Largest companies (8 percent); conversely, EPS is given relatively more importance for the Largest (9 percent) companies than for SMEs (2 percent).

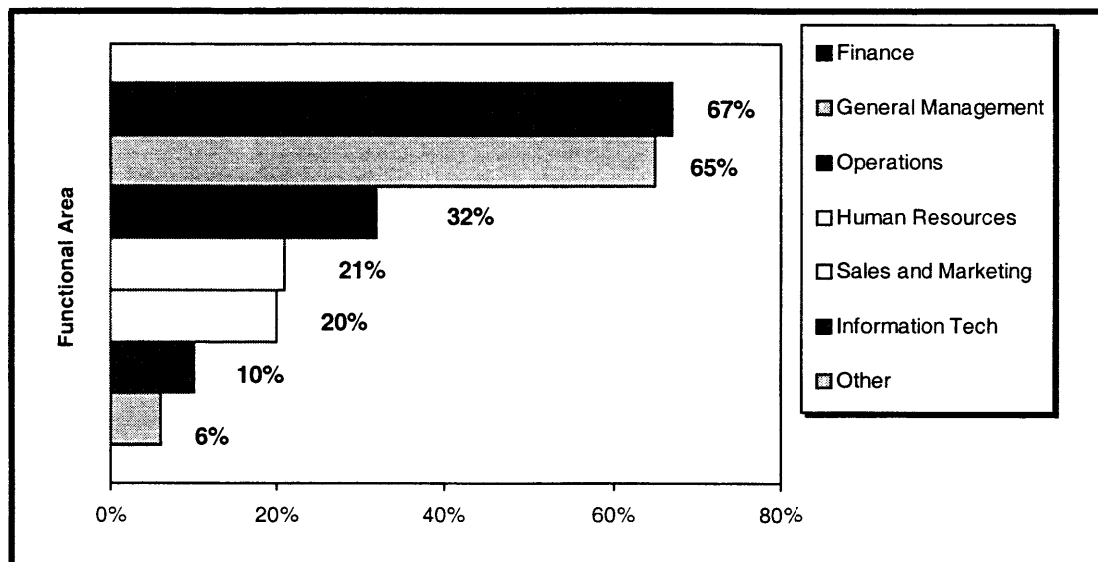
Question 13 *Are Business Units encouraged to develop their performance measures?*
N=1,893



Section III. Managing the Performance Measurement System

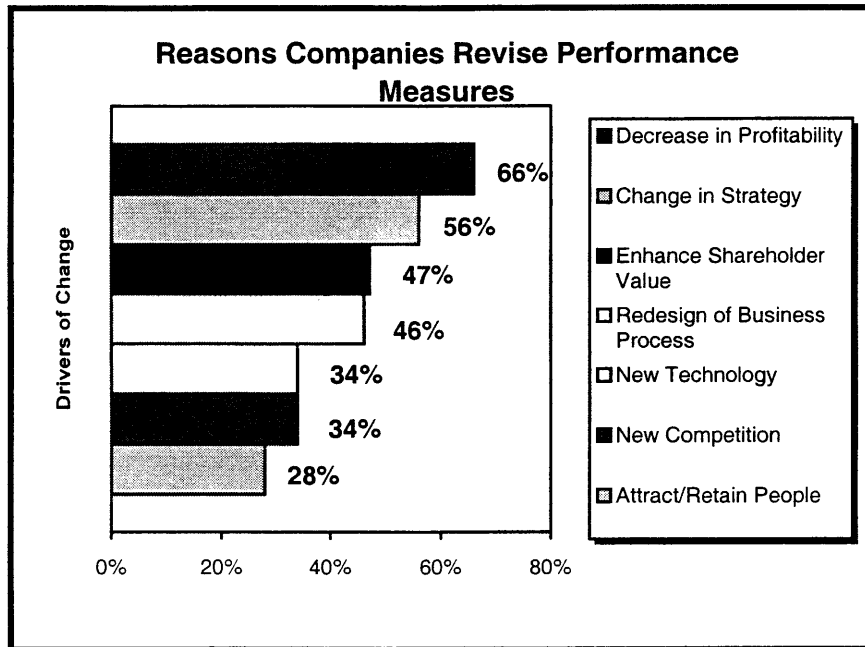
Question 14 *Which functional area is responsible for managing the company's Performance Measurement System?*
N=1,912

Figure 3 The Functional Area Responsible for the Performance Measurement System



Question 15 *What circumstances would cause the company to consider revising performance measures?* N=1,815–1,891

Figure 4 Circumstances That Would Cause the Company to Consider Revising Performance Measures



Question 16 *What process could the company use to revise performance measures?* N=1,067

Respondents to this question were required to write an answer; approximately half the survey respondents replied. Of those answers, approximately half reported one of the following four answers to indicate the process the company would use to revise its performance measurement system: top-down, change in strategic objectives, collaborative process, and form a management committee. Of these responses, top-down was cited approximately twice as often as any one of the other responses.

Question 17 *When was the current Performance Measurement System implemented or last revised?* N=1,644

Slightly more than 80 percent of the survey respondents wrote an answer to this question. Of those, approximately one-third have implemented or revised their performance measurement system in the last twenty-four months. Of the respondents, seven percent indicated each of thirty-six months, three months, and six months.

Question 18 *What were the major challenges and barriers in creating/revising the Performance Measurement System?* N=1,307

Figure 5 Organizational Barriers to Implementing or Revising Performance Measurement Systems

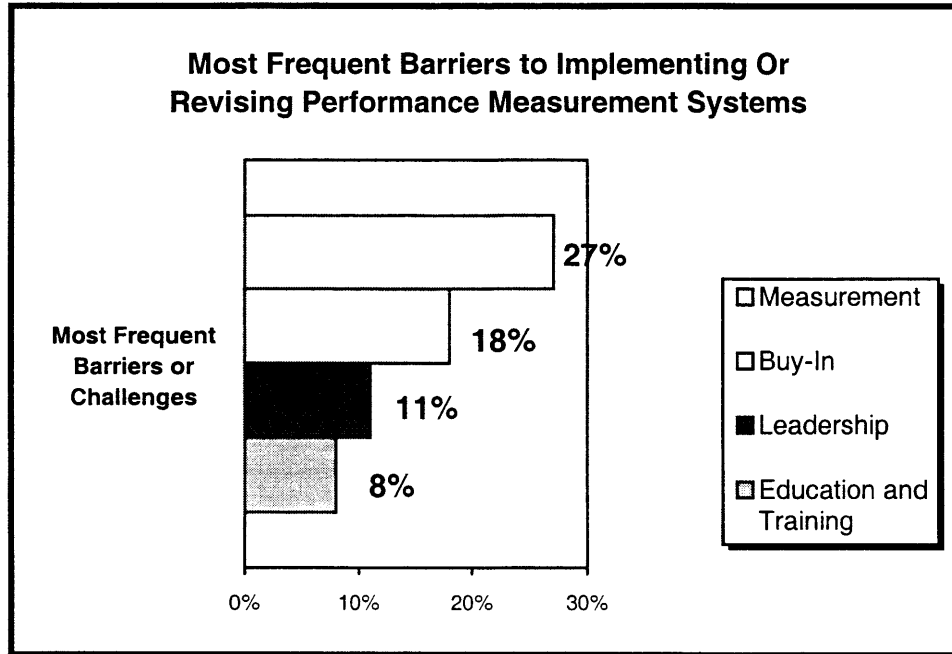


Figure 5 illustrates findings as follows:

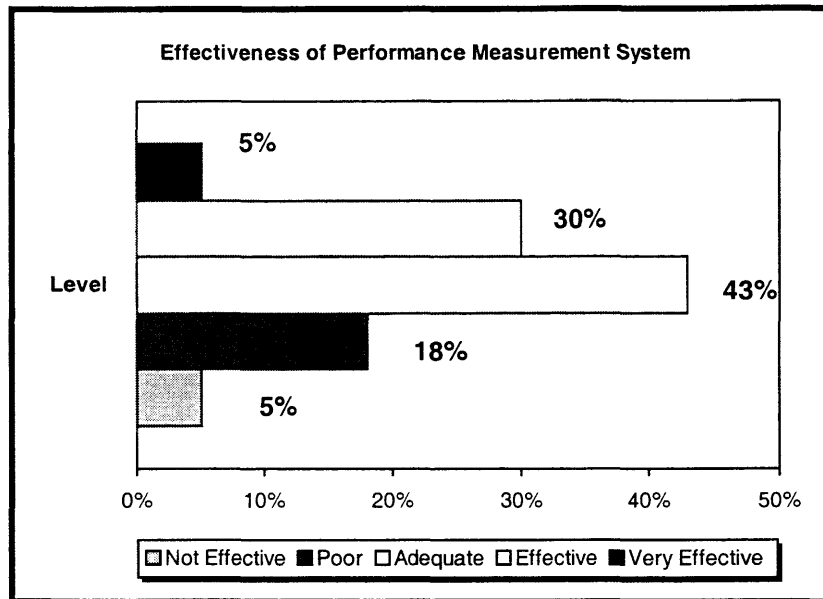
- 27 percent indicated Measurement, that is, the ability to define and agree upon the measures, establish targets and budgets, collect, and make available the appropriate information.
- 18 percent indicated Buy-in, that is, the acceptance among employees and managers, ownership of results, and resistance to change.
- 11 percent indicated Leadership, that is, senior management approval, executive support, and communications.
- 8 percent indicated Education and Training.

Question 19 *Are you planning to revise your Performance Measurement System?* N=1,990

- 59 percent are not planning to revise their performance measurement systems.
- 41 percent are planning to revise their performance measurement systems.

Question 20 Overall how would you rate the effectiveness of your company's Performance Measurement System? N=1,876

Figure 6 Effectiveness of Performance Measurement System



Companies with either a collaborative or entrepreneurial culture were more satisfied with the effectiveness of their performance measurement system than were companies whose style is command and control.

Question 21 What would you suggest to improve its effectiveness? N=805

Figure 7 Suggestions to Improve the Effectiveness of the Performance Measurement System

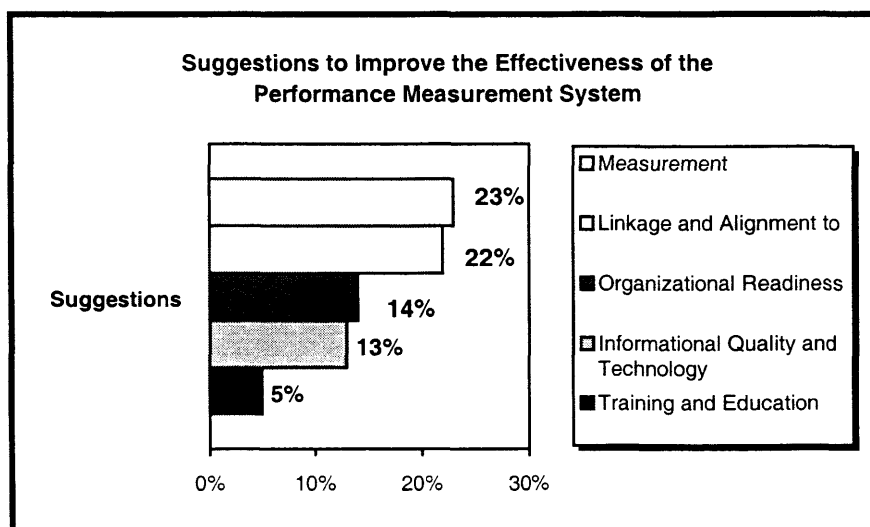


Figure 7 illustrates findings as follows:

- 23 percent indicated broader measures with more consistent measure definitions.
- 22 percent indicated better linkage and alignment to budgets, compensation and reward, performance evaluation, planning and analysis, and strategies and goals.
- 14 percent indicated organization readiness, including better information quality, buy-in, communication and involvement, feedback, and support.
- 13 percent indicated information quality and technology as it related to better systems, better information quality, and better tools and techniques.

Section IV. Describe How the Performance Measurement System is Used

Question 22 *To what extent does the Performance Measurement System have a “cause and effect” relationship on?*

Cause and Effect on:	N	Average
Compensation/Reward and Recognition	1,855	3.64
Business Performance	1,856	3.53
Employee Performance	1,850	3.32
Customers	1,849	3.04
Capital Investment	1,840	3.03
Shareholder Value	1,807	3.02
Technology infrastructure	1,828	2.80
Suppliers	1,823	2.29

Definition of Scale	
Significant Effect	5
Noticeable Effect	4
Some Effect	3
Little Effect	2
No Effect	1

The cause and effect relationship on compensation, reward and recognition are directly related to size, that is, the effect is stronger in the Largest (average =3.81) than in the Large (3.55) and the SMEs (3.33).

Question 23 *To what extent has the Performance Measurement System impacted the following?*

Performance Measurement Impact on:	N	Average
Business Strategy	1,840	3.32
Productivity	1,822	3.22
Revenue Growth	1,813	3.15
Operating Quality	1,822	3.12
Process Improvement Programs	1,811	3.07
Pricing	1,824	2.81
Product/Service Innovation	1,812	2.81
Cycle Time	1,810	2.69
Strategic Alliances/Joint Ventures	1,789	2.62
R&D	1,778	2.22

Definition of Scale	
Significant Effect	5
Noticeable Effect	4
Some Effect	3
Little Effect	2
No Effect	1

Performance Measurement Survey

The effect of the Performance Measurement System on Revenue Growth has a slight direct relationship to size, that is, the effect is stronger in the Largest companies than in the SMEs.

Question 24 *To what extent has the Performance Measurement System impacted the following?*

Performance Measurement System impact on:	N	Average	Definition of Scale	
Employee Recruitment	1,840	3.32	Significant Effect	5
Management Control Practices	1,838	3.16	Noticeable Effect	4
Organizational Structure and Responsibilities	1,835	3.14	Some Effect	3
Leadership Development and Promotion	1,837	2.93	Little Effect	2
Training and Skill Development	1,823	2.77	No Effect	1
Employee Turnover	1,841	2.68		

Question 25 *How often are performance measures reported?*

N= 1,851

- 16 percent indicated daily.
- 24 percent indicated weekly.
- 72 percent indicated monthly.
- 44 percent indicated quarterly.
- 48 percent indicated annually.

Question 26 *What are the top three benefits resulting from the Performance Measurement System?*

Figure 8 Benefits Resulting from the Performance Measurement System

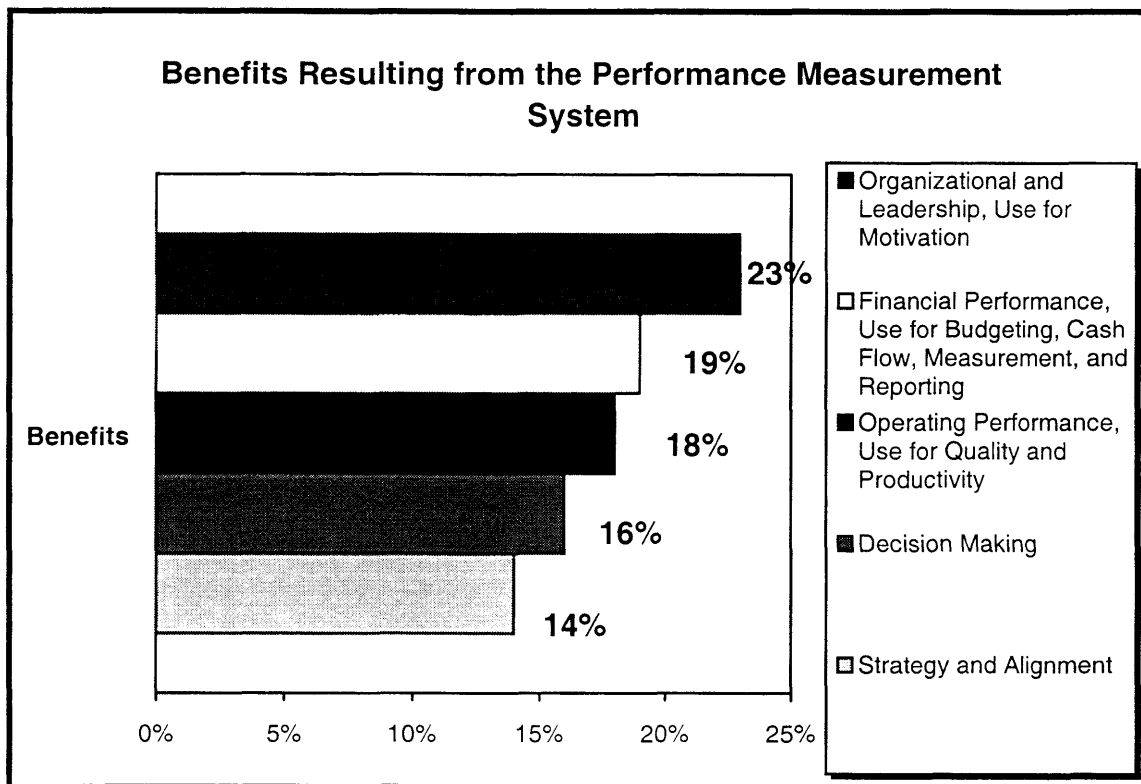


Figure 8 illustrates findings as follows:

- 23 percent indicated Organizational and Leadership, that is, the use for motivation, feedback, accountability, and compensation.
- 19 percent indicated Financial Performance, that is, the use for budgeting, cash flow, measurement, and reporting.
- 18 percent indicated Operating Performance, that is, quality and productivity.
- 16 percent indicated Decision Making, that is, trend analysis.
- 14 percent indicated Strategy and Alignment, that is, planning and feedback.

Section V. Performance Measurement System and the Internet

Question 27 *How will the Internet impact the company's Performance Measurement System?* N=1,840

Figure 9 How will the Internet Impact the Company's Performance Measurement System

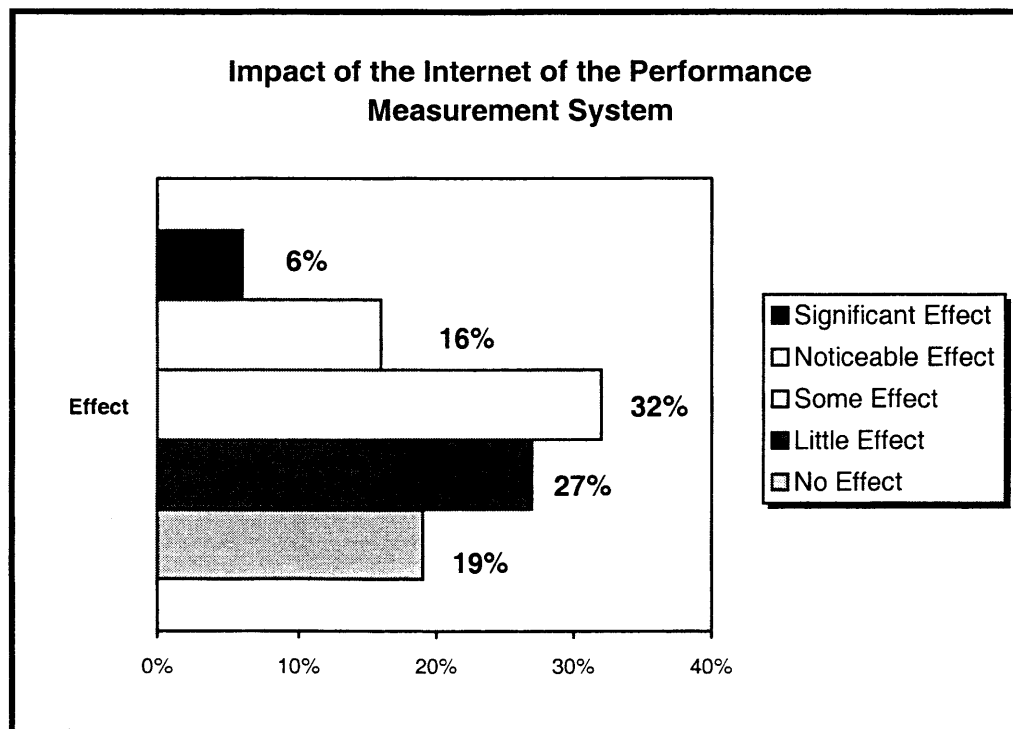


Figure 9 illustrates findings as follows:

- More than half the respondents indicated that the Internet would have at least some impact on the performance measurement system.
- Size has a direct relationship on the effect of the Internet on performance measurement, that is, the larger the firm, the greater the effect of the Internet.

Question 28 Does your Company utilize e-business/e-commerce? N=1,847

Table 4 Utilization of E-Business– by Size

	N =1,847	N=381	N=475	N=963
	Overall	Largest	Large	SME
No	46%	30%	48%	51%
Yes	54%	70%	52%	49%

Table 4 illustrates findings as follows:

- Overall, 54 percent of companies use e-business.
- Size has a direct relationship on the use of e-business.
- 70 percent of the Largest companies use e-business, versus 49 percent of SMEs.

Question 29 *What does your company measure about its e-business/e-commerce?*

Table 5 What Companies Measure about the Internet— by Size

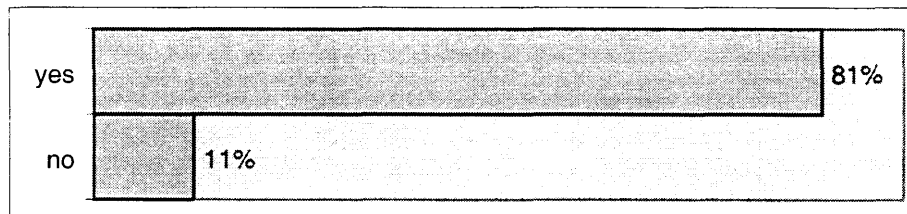
What is measured	N=978	N=485	N=240	N=242
	Overall	SME	Large	Largest
Usage/Visits	49%	48%	53%	45%
New Customers	42%	43%	40%	41%
E-Business sales	39%	37%	39%	45%
Cost efficiency	31%	27%	30%	42%
Page Views	24%	24%	20%	28%
Delivery time	23%	20%	21%	30%
Speed/Cycle Time	21%	16%	20%	30%

Table 5 illustrates findings as follows:

- Overall—
 - 49 percent of companies measure Usage/Visits.
 - 42 percent of companies measure New Customers.
 - 39 percent of companies measure E-Business sales.
 - 31 percent of companies measure Cost Efficiency.
- The Largest companies measure E-Business Sales, Cost Efficiency, Delivery time, and Speed/Cycle Time, more than Large Companies and SMEs.
- Only 16 percent of SMEs measure speed/cycle time, versus 21 percent overall.

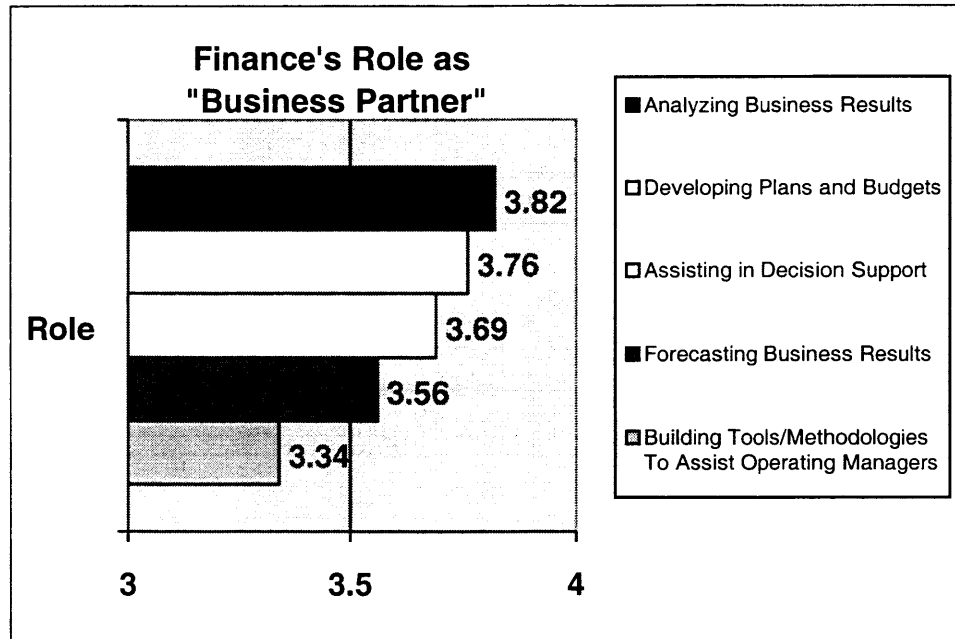
Section VI. Performance Measurement System and the Finance Organization

Question 30 *Does Finance serve as Business Partner to the company?* N=1,833



Question 31 How would you assess Finance's role as "Business Partner" in the following areas? N=1,990

Figure 10 Finance's Role as "Business Partner"



Definition of Scale	
Significant Effect	5
Noticeable Effect	4
Some Effect	3
Little Effect	2
No Effect	1

Question 32 List 3 most important characteristics that (would) contribute to Finance's role as an effective Business Partner

- Strong/Improved Functional Expertise (23 percent)
- Broader Business Perspective (17 percent)
- Strategic and critical thinking skills (14 percent)
- Leadership (14 percent)
- Timeliness (10 percent)
- Strong/Improved Communication Skills (8 percent)

Question 33 Are any significant changes in Finance's role as a business partner anticipated over the next several years? N=740

- 35 percent indicated no significant changes are anticipated.
- 12 percent indicated that finance's role would expand.
- 8 percent indicated yes; however, they did not list specifics.
- 7 percent indicated finance's role would expand, to build tools and methodologies to assist operating managers.

Section VII. Level of Effort Devoted by the Finance Organization

Question 34 *Estimate the % of effort devoted to performance measurement by finance professionals.* N=1,815

Figure 11 Level of Effort Devoted to Performance Measurement

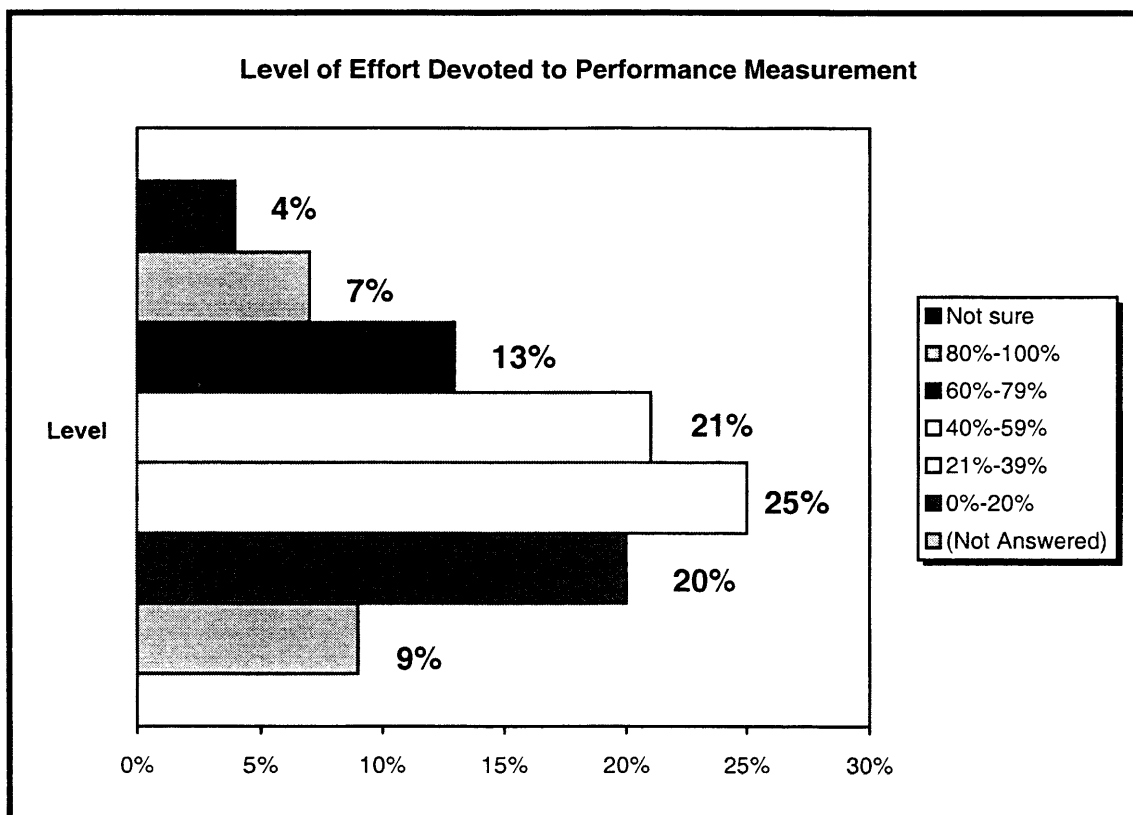


Figure 11 illustrates findings as follows

- Two-thirds of respondents indicate a level less than 60 percent.
- 20 percent indicate their level of effort devoted to performance measurement at more than 60 percent.

Question 35 and Question 36--Finance Level of Effort Questions

N=1,771

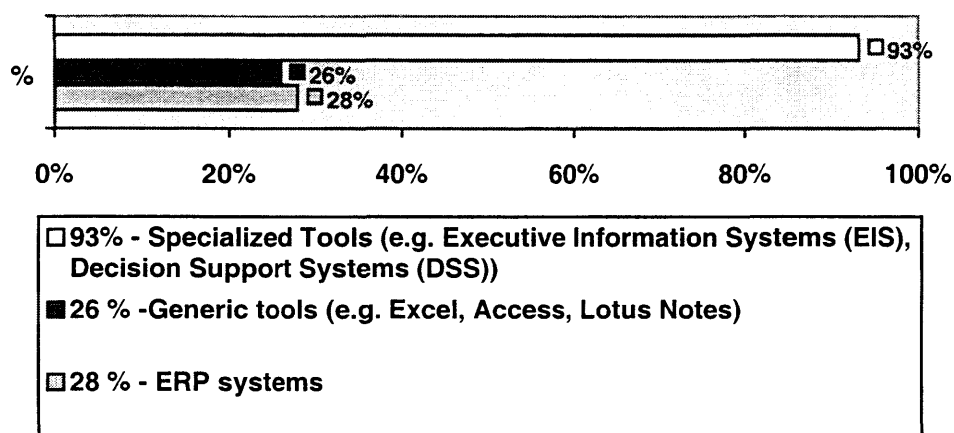
Table 6 Changes in Percentage Level of Effort

	N	Decreased	Increased	Remained the Same
Question 35. Over the past several years, has this percentage changed?	1,771	4%	58%	26%
Question 36. Over the next several years, will this percentage change?	1,771	3%	57%	29%

Section VIII. Performance Measurement Tools and Systems

Question 37 What technologies/tools are used to facilitate the performance measurement process? N = 1,767

Figure 12 Technologies Used to Facilitate Performance Measurement



Questions 38 How useful are these tools for each task? N=1,990

Table 7 Usefulness of Technologies/Tools for Selected Tasks

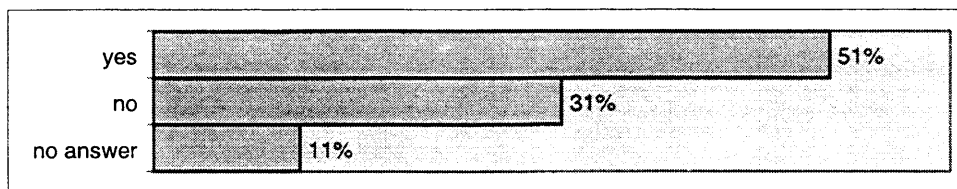
Tasks	Poor	Less than Adequate	Adequate	More than Adequate	Excellent	Average
Analyzing Business Results	1%	5%	25%	44%	24%	3.82
Developing Plans and Budgets	2%	8%	26%	40%	24%	3.76

Performance Measurement Survey

Tasks	Poor	Less than Adequate	Adequate	More than Adequate	Excellent	Average
Assisting in Decision Support	2%	9%	29%	43%	18%	3.69
Forecasting Business Results	2%	11%	30%	38%	18%	3.56

Definition of Scale (Average) 5 = Excellent, 4 = More than Adequate, 3 = Adequate, 2 = Less than Adequate, and 1 = Poor

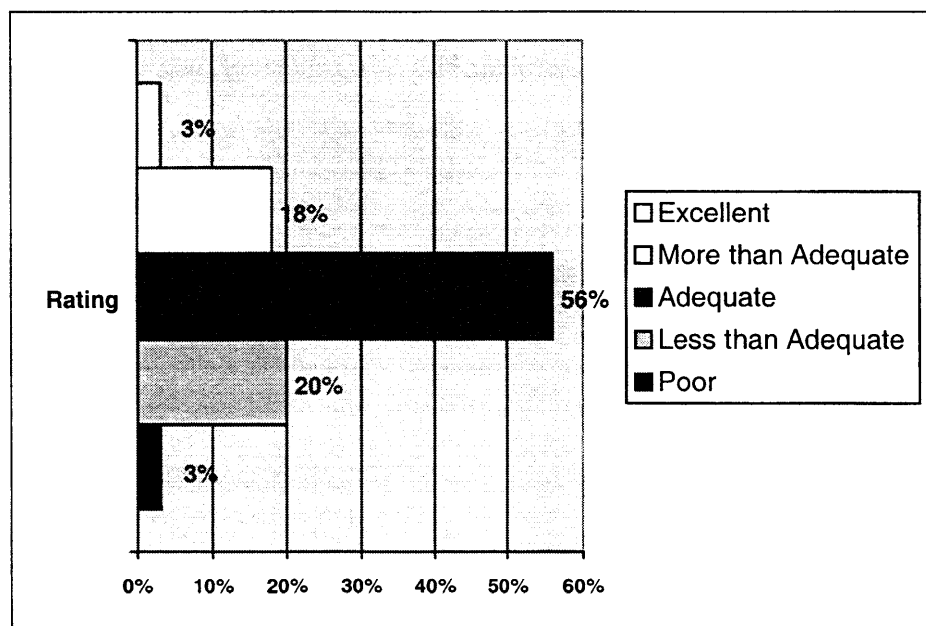
Question 39 *Are any technology changes anticipated over the next 12-18 months?*
N = 1,767



Section IX. Performance Measurement Systems Information and Techniques

Question 40 *How would you rate the quality of information in the Performance Measurement System?* N=1,808

Figure 13 Quality of Information in the Performance Measurement System



Question 41 *What techniques are utilized to capture performance information?*

N=1,440

Table 8 Techniques Utilized to capture performance Information

Techniques N=1,440		Percent
Executive Dashboards		22%
Balanced Scorecards		43%
Other		50%

Question 42 *Are any major changes in these techniques anticipated over the next 12-18 months?* N=1,590

